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DISPATCH NO: MGM-A-567

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DATE: 24 June 1948

TO : Chief, FBM
FROM : Acting Chief of Station, Karlsruhe, Germany *P/S 8a*
SUBJECT: GENERAL - Operational
SPECIFIC - CAPELIN - Operational Report

1. In theory at least, CAPELIN's access to intelligence of interest to us expanded on 15 April 1948, since on that day he assumed in effect the position within his organization previously held by our former source CAPANEUS. The scope of this position is being studied in order to capitalize as much as possible on the access which CAPELIN should have to new sources of information.

2. CAPELIN is now in charge of all counter-intelligence matters involving his national group outside their homeland. In addition, the intelligence operations of his organization involving interrogations, investigations, or the writing of intelligence reports now come under his jurisdiction and are subject to his direction. In the last month CAPELIN has furnished leads of the type that interest CIC on two alleged agents, one, Czech and one Soviet, in the American Zone. *June 18th from Berlin*

3. The servicing of CAPELIN remains substantially the same. Security considerations which cropped up during our renewal of CAPELIN's Zugangsgenehmigung caused a three-week delay and CAPELIN was without proper papers on 20 June 1948 when the currency reform became effective. Because of this delay and the resultant lack of funds, CAPELIN and wife will be supplied with 40 reformed marks apiece as part of his servicing for the month of June 1948.

4. CAPELIN is presently preparing a report for use in connection with Project ICON and has suggested Vasil OCHREMOVICH of UHWR as a possible source of reports on organizations of other nationalities.

5. The four alleged Russian agents referred to in Para 6 of MGM-A-486 have turned out to be countrymen of CAPELIN who

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were recruited by an unspecified Czech intelligence officer in
Czechoslovakia and subsequently allowed to "escape" into the
American Zone of Germany. We are waiting for a CIC interrogation
report on one of these four dated early February 1948 before
expressing any further interest.

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